

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 JUSE-00 SNM-02 COME-00 TRSE-00

STR-04 FEA-01 EB-07 LAB-04 L-03 CIAE-00 INR-07

NSAE-00 VO-03 SCA-01 INSE-00 PM-04 NSC-05 SP-02

SS-15 H-01 DHA-02 DEAE-00 OES-07 EPA-01 CEQ-01

ITC-01 ACDA-07 SIL-01 AID-05 OMB-01 /096 W

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R 202342Z MAY 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2301

C O N F I D E N T I A L SECTION 01 OF 02 MEXICO 08018

EO 11652: GDS

TAGS: PFOR, MX, US

SUBJECT: CONSULTATIVE MECHANISM

REF: (A) STATE 107756, (B) MEXICO 07782

IN EMBASSY'S VIEW, MOST PRESSING U.S. OBJECTIVE IN MAY 26 MEETING ON CONSULTATIVE MECHANISM IS TO CONVINCE MEXICAN OFFICIALS THAT USG IS SERIOUS ABOUT MOVING AHEAD WITH HIGH-LEVEL CONSIDERATION OF FULL RANGE OF BILATERAL ISSUES THAT AFFECT RELATIONS BETWEEN BOTH COUNTRIES. IN THIS CONTEXT, FORMAL ESTABLISHMENT OF MECHANISM AND CREATION OF WORKING GROUPS OUTLINED REF (A), WITH SCHEDULED MEETINGS AND TARGET DATE FOR FINAL RECOMMENDATIONS TO CONSULTATIVE MECHANISM, WOULD BE MOST TANGIBLE EVIDENCE OF U.S. INTENTION TO DEAL REALISTICALLY AND CONCRETELY WITH ISSUES OF MUTUAL INTEREST. WE BELIEVE DISCUSSION OF ECONOMIC ISSUES AND ILLEGAL-ALIEN PROBLEM WILL BE IN FOREFRONT OF GOM PRIORITIES.

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FOLLOWING IS EMBASSY'S (A) ESTIMATE AS TO OBJECTIVES WHICH GOM WILL PRESS MOST ACTIVELY FOR EACH OF THE SPECIFIED WORKING GROUPS, AND (B) SUGGESTIONS FOR U.S. OBJECTIVES. WE HAVE SUBSUMED THE MEXICAN LIST OF TOPICS TRANSMITTED REF (B) WITHIN OUR WORKING GROUPS.

1. ECONOMIC--(A) IMPROVED ACCESS TO U.S. MARKETS WILL UNDOUBTEDLY BE MEXICO'S MAJOR OBJECTIVE IN THIS AREA. WHILE GOM WOULD OBVIOUSLY WELCOME USG ACTION FAVORING MEXICO, IT WILL ALSO SEEK IMPROVEMENT WITHIN AN MFN CONTEXT. WE SUSPECT HEAVY EMPHASIS WILL BE PUT ON SEEKING ARRANGEMENTS FOR INCREASED MEXICAN EXPORT OF LABOR-INTENSIVE FRUITS AND VEGETABLES AND INCREASED IMPORTS OF U.S. GRAINS AND OIL SEEDS. THE GOM MAY HAVE SOME IDEAS ON TOURISM, ALMOST CERTAINLY INVOLVING REPEAL OF THE U.S. 1976 TAX REFORM ACT LIMITATIONS ON FOREIGN CONVENTIONS; AND POSSIBLY INCREASE OF THE \$100 DUTY-FREE PURCHASES ALLOWED RETURNING U.S. TOURISTS FROM MEXICO. SOME ATTENTION MAY BE PAID TO AIRLINE ROUTES TO TOURIST CENTERS.

(B) SINCE INCREASED MEXICAN EXPORTS OF FRUITS AND VEGETABLES COULD OFFER SOME HELP IN PROVIDING EMPLOYMENT IN CRITICAL AREAS AND THUS PROVIDE A LITTLE RELIEF TO U.S. CONCERNS IN NARCOTICS AND ILLEGALS, AS WELL AS HELP IN GOM'S ECONOMIC CRISIS, WE URGE CAREFUL ATTENTION BE PAID TO ANY SUCH PROPOSALS. NEVERTHELESS, NO AMOUNT OF LABOR-INTENSIVE AGRICULTURE CAN ABSORB MEXICO'S BURGEONING POPULATION; THE SOLUTION TO MEXICO'S UNEMPLOYMENT PROBLEM AND TO ITS WORSENING INCOME DISTRIBUTION LIES IN INCREASED GROWTH OF MANUFACTURES AT COMPETITIVE PRICES, PARTICULARLY THOSE OF A LABOR-INTENSIVE NATURE, AND THEIR EXPORT. WE COULD ASK THE MEXICANS HOW WE CAN HELP THEM ACHIEVE THIS AND MAKE THEIR MANUFACTURES COMPETITIVE ON THE WORLD MARKET, REMINDING THEM THAT WE ALREADY ARE

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THE WORLD'S LARGEST IMPORTER OF MANUFACTURED GOODS. THIS PUTS THE ONUS OF MEXICO'S BALANCE-OF-TRADE DIFFICULTIES WHERE IT BELONGS. MEXICO CANNOT EXPORT BECAUSE ITS PROTECTED INDUSTRIAL STRUCTURE IS INEFFICIENT AND PRICES TOO HIGH, NOT BECAUSE OF U.S. TRADE RESTRICTIONS.

2. FINANCIAL AFFAIRS--(A) THE MEXICANS ARE LIKELY TO SEEK OUR SUPPORT FOR A RENEGOTIATION OF THEIR STABILIZATION AGREEMENT WITH THE IMF, WITH THE OBJECTIVE OF EASING THEIR BUDGETARY TARGETS. GOM MAY ALSO ASK TO PUT PEMEX OUTSIDE THE GOM FINANCIAL BORROWING CEILINGS.

(B) USG SHOULD PRESS GOM TO MOVE AHEAD WITH EXISTING FUND AGREEMENT AND EMPHASIZE THE PRIMARY IMPORTANCE OF REDUCING INFLATION BY CONTROLLING THE SIZE OF THE PUBLIC-SECTOR BUDGET DEFICIT. WE DOUBT IF GOM WILL HAVE MUCH TO SAY CONCERNING INVESTMENTS. THE LINE IS STILL THAT FOREIGN INVESTMENT IS WELCOME ON MEXICAN TERMS. (AT THE MOMENT, UNFORTUNATELY, BOTH PRIVATE AND FOREIGN INVESTMENT ARE

STILL HOLDING BACK.)

3. ENERGY--(A) WE SUSPECT THAT GOM WILL EXPECT TO RECEIVE U.S. PROPOSALS IN THIS AREA RATHER THAN TO MAKE ITS OWN. ANY PROPOSALS GOM DOES MAKE WILL PROBABLY INVOLVE SALES OF MEXICAN NATURAL GAS, AND MAY INCLUDE SEEKING U.S. FINANCING FOR PIPELINE CONSTRUCTION. SOME EXIMBANK HELP MAY BE SOUGHT FOR PEMEX EQUIPMENT PURCHASES IN U.S.

(B) WE NEED NOT BE TOO INQUISITIVE ABOUT THEIR SALES PLAN FOR GAS AND OIL. THEY WANT TO DEVELOP EXPORTS AS FAST AS THEY CAN AND WE ARE THEIR ONLY POSSIBLE CUSTOMER FOR GAS AND THEIR LOGICAL CUSTOMER FOR MOST OF THEIR OIL. THEY KNOW, TOO, THAT WE NEED THE ENERGY.

4. UNDOCUMENTED ALIENS--(A) WE BELIEVE GOM IS INCREASINGLY

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R 202342Z MAY 77
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 2302

C O N F I D E N T I A L SECTION 02 OF 02 MEXICO 08018

CONCERNED ABOUT PACKAGE OF UNILATERAL ACTIONS DESIGNED TO REDUCE ILLEGAL MIGRATION--FROM MEXICO AND ELSEWHERE--TO THE U.S. GOM'S FIRST OBJECTIVE WILL BE TO CLARIFY PRECISE CHARACTER AND IMPLICATIONS OF USG PACKAGE WHICH HAS BEEN SUBMITTED TO PRESIDENT CARTER. ONCE GOM IS WELL INFORMED CONCERNING CABINET COMMITTEE RECOMMENDATIONS, IT MAY ASK FOR TIME TO EXAMINE IMPLICATIONS OF VARIOUS ELEMENTS OF THE OVERALL PACKAGE IN TERMS OF THEIR PROBABLE IMPACT ON MEXICO. EMBASSY BELIEVES THAT GOM WILL BE

PARTICULARLY CONCERNED WITH NATURE AND LIMITS OF PROPOSED AMNESTY FOR ILLEGALS. IMPACT OF ANY RODINO-TYPE LEGISLATION ON ACTUAL OR DE FACTO DEPORTATION OF UNDOCUMENTED MEXICAN WORKERS TO MEXICO, AND ANY U.S. PROPOSALS CONCERNING EXPANSION OF TEMPORARY-WORKER PROGRAM IN EVENT LEGISLATION PENALIZING EMPLOYERS OF ILLEGAL ALIENS SHOULD BE ENACTED BY THE CONGRESS WILL PROBABLY BE OF SPECIAL INTEREST. IN SUM, GOM WILL BE CONCERNED BY IMPACT OF U.S. PROPOSALS ON RETURN OF UNDOCUMENTED WORKERS TO MEXICO AND EXACERBATION OF UNEMPLOYMENT WITH ATTENDANT

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SOCIAL PROBLEMS DURING A PERIOD WHEN MEXICAN ECONOMY IS PASSING THROUGH SERIOUS CRISIS. THE CLOSING OF A PERCEIVED AVENUE OF OPPORTUNITY FOR AMBITIOUS WORKERS WOULD BE AS SERIOUS AS UNEMPLOYMENT ITSELF.

AS DEPARTMENT AWARE, PRESIDENT LOPEZ-PORTILLO AND OTHER HIGH-LEVEL GOM OFFICIALS HAVE DISCUSSED THE UNDOCUMENTED-ALIEN PROBLEM IN CONNECTION WITH USG WILLINGNESS TO ASSIST MEXICO IN CREATING JOBS BY EXPANDING MEXICAN ACCESS AND EXPORTS TO U.S. MARKET.

(B) USG SHOULD PRESENT AND BE PREPARED TO DISCUSS AND CLARIFY COMPONENTS OF TASK FORCE PACKAGE ON UNDOCUMENTED ALIENS WHICH HAS BEEN SUBMITTED TO PRESIDENT CARTER. RECOGNIZING THAT TASK FORCE RECOMMENDATIONS AS CURRENTLY FORMULATED ARE LIKELY TO REDUCE SAFETY VALVE SIGNIFICANTLY AND THEREBY HAVE ADVERSE IMPACT ON MEXICAN ECONOMY AND SOCIAL STABILITY, WE SHOULD BE PREPARED TO CONSULT CLOSELY WITH GOM REGARDING POSSIBLE ADJUSTMENTS IN PACKAGE AND GIVE SERIOUS CONSIDERATION TO ANY MEASURES WHICH THE GOM PROPOSES TO HELP ALLEVIATE PROBLEMS RESULTING FROM IMPLEMENTATION OF UNILATERAL USG ACTIONS TO REDUCE ILLEGAL MIGRATION.

5. BORDER ENVIRONMENT AND CONTIGUITY PROBLEMS--(A) EMBASSY IS UNCERTAIN CONCERNING GOM'S BASIC OBJECTIVE UNDER THIS HEADING. OUR BEST ESTIMATE IS THAT IT MAY PROPOSE ESTABLISHMENT OF SOME KIND OF U.S.-MEXICAN BORDER COMMISSION WHICH COULD DEAL ON INTER-GOVERNMENTAL BASIS WITH WIDE RANGE OF BORDER PROBLEMS COMMON TO BOTH COUNTRIES. WE PRESUME THIS WOULD INCLUDE MATTERS SUCH AS SMUGGLING OF ARMS, NARCOTICS, PEOPLE ETC., AS WELL AS OTHER PROBLEMS SUCH AS ENVIRONMENTAL POLLUTION AND ECONOMIC BORDER CONDITIONS FOLLOWING DEVALUATION. GOM MAY RAISE ISSUE OF BORDER INDUSTRIES AND RELATED MATTER OF U.S. TARIFF ITEMS 806 AND 807 WHICH MAKE THESE INDUSTRIES

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POSSIBLE.

(B) IF GOM DOES NOT RAISE QUESTION OF U.S.-MEXICAN BORDER
COMMISSION, EMBASSY SUGGESTS THAT THIS CONCEPT BE GIVEN
SERIOUS CONSIDERATION WITHIN USG AND INCLUDED AS
APPROPRIATE TOPIC FOR FURTHER STUDY AND RECOMMENDATION
WITHIN SCOPE OF THIS WORKING GROUP. THOMPSON

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